

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 23, 2002

PRESENT: Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant; Al Picconi, United Beverages, Inc.; Michael Goclawski, Law Warehouse

EXCUSED: Chairman John Byrne

I. FINANCIAL & ADMINISTRATIVE REPORT

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending May 19, 2002 shows retail sales were up 13.12%, on-premise sales were up about 10%, off-premise sales were up 14.2%, and total aggregate sales were up around 12.94%. The traffic count increased by 6,161, and the average sale also increased by \$1.34.

The current W-I Total Weekly Sales report confirms total sales increased by 12.94% or \$680,672 for this past week, and were also up for the year by 7.22% or \$19,379,773. Wine sales were up for the week by about 22% or \$501,636, as they were by 10.15% or \$12,252,552 for the year. Sales of spirits increased 5.9% or \$180,239 for the week, and were also up year-to-date by almost 5.5% or \$8,227,378.

B. Budget Reports:

According to the latest Outstanding Depletions and Post-Offs report, all accounts are current with nothing of significance to report.

Novis Engineering has completed their test on materials in the boiler room. Some asbestos has been identified, but not as much as anticipated. Specifications will now be prepared to secure bids for removal of the asbestos.

The season for business/casual attire will begin next Tuesday. Craig said it will be up to the managers to make sure their employees are aware of what constitutes appropriate attire, and briefly explained the policy. He encouraged those people meeting with customers, clients, etc. to be appropriately dressed for those occasions.

Revisions to the building evacuation procedure plan will be reviewed with the

Concord Fire Department. It will be distributed to all employees in the headquarters building in the near future.

The W-6 Expense Budget Activity Variance Report indicates projected targeted expenditures to be around 89%, with actual agency expenditures at about 85.7%. George said the budget seems to holding up well, although money may need to be transferred into Store Operations. Worker's Compensation, which has been very high this year, will be provided for with supplemental warrants.

Quite a few vendors have been coming in to sign the rubbish contracts. Waste Management no longer holds the majority of these contracts. George anticipates that this will result in savings next year.

Another meeting will be held to look at the completion of the first draft of the credit card RFP.

Work is being done with SSAGT on financial software before the term lapses.

2. IT Reports

Installation of the new computer equipment at headquarters is going well, although it is a week or two behind. Howard asked that everyone please be patient in their demands upon IT employees, as they will be attending Dell training classes both this week and next. This training will also result in a delay in PC installations. On Saturday night, June 8th, a conversion will take place which will interrupt the network for two to four hours. Hopefully, everything will go smoothly with no problems occurring.

Howard asked that all those present, including their respective staffs, who had not reviewed his e-mail message on COOL to please do so. This represents an attempt to seriously cut down on paperwork in order to lower budget expenses. Craig explained that reports will be available on line through the intranet. Efforts will be made to send information over to Administrative Services via electronic copies or smaller paper. This is a good time to determine what reports are necessary and which ones can be completely eliminated.

II. MARKETING & SALES REPORTS

1. Store Operations:

According to the W-8 Sales Analysis by Location report, total store sales increased over the same week last year by \$535,832.37 or 13.11%. Peter mentioned that the seacoast area was beginning to come alive, with Store #38

Portsmouth up 27%. In addition, both Stores #52 Gorham and #23 Conway experienced increases. Commissioner Maiola mentioned that Store #11 Lebanon is going up about \$20,000 per week. It will take a couple of weeks to determine how the new location for Store #27 Nashua will fare.

Store activities have been very busy, with the Summer of Savings Sweepstakes program kicking off next Tuesday.

Renovations are just about done at Store #67 Hooksett; they should be completed by this coming weekend. The paving company will start to take out the curbing at Store #38 Portsmouth next Tuesday, subject to the weather. The next step is to begin renovations at Store #42 Meredith.

2. Warehouse Report

John Bunnell said the warehouse has increased production, and everything seems to be in good shape.

Mike Gocłowski briefly explained the Case-Lot Aging Report he distributed regarding Commission owned case lots at Law. Brokers can now access information regarding older inventory by supplier.

3. Purchasing Report

There were no significant items to comment on. Some of those listed in the current out-of-stock report simply aren't available or are new items. Nicole mentioned that Santa Pinot Grigio has come in, and Kathy Hass has sent out an e-mail regarding this.

Commissioner Russell commented on how attractive the Grey Goose picnic basket is for a gift. John said the vendor has been informed that the Commission will take any extra allocations of this product which may become available.

4. Merchandising Report

A. SPIRITS:

1) Test Market:

a. Test Market Request – Vincent Van Gogh Raspberry Vodka:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market product listing for Vincent Van Gogh Raspberry Vodka, 750ML size (assigned three-digit Code

#755), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request – Das Komet Liqueur:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for a new test market product listing for Das Komet Liqueur, 750ML size (assigned four-digit Code #5592), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Recommendation – Absolut Kurant:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that Code #3732, Absolut Kurant, 375ML size be delisted, as the product failed to earn the required gross profit during a six-month test market period and does not qualify for specialty listing as a line extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) July Special Offers:

a. 1 item – Richard Colbath/Spirits Marque One:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Richard Colbath/Spirits Marque One, based upon depletions of one (1) spirit item, to be featured on sale during July 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 4 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of four (4) spirit items, to be featured on sale during July 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 36 items – Executive Wine & Spirits/Martignetti:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of thirty-six (36) spirit items, to be featured on sale during July 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 67 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of sixty-seven (67) spirit items, to be featured on sale during July 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 82 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of eighty-two (82) spirit items, to be featured on sale during July 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for July 2002:

a. 12 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of twelve (12) wine items, to be featured on sale during July 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 62 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of sixty-two (62) wine items, to be featured on sale during July 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell,

Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 8 items (Summer of Savings Program) – Martignetti:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of eight (8) wine items, to be featured on sale during the Summer of Savings Program, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 128 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and twenty-eight (128) wine items, to be featured on sale during July 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 102 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and two (102) wine items, to be featured on sale during July 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 35 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of thirty-five (35) wine items, to be featured on sale during July 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Recommended Allocated and Restricted Wines for Distribution to Selected Stores (9 codes):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve nine (9) allocated and restricted wine codes to be distributed to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Recommended Wine Specialty Products (42 codes):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve forty-two (42) wine codes to be designated as wine special products and carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Primary Source Submissions (6 items – primary source; 9 items – exclusive agent; 25 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of six (6) wine codes which are from primary source, nine (9) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-five (25) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Wine Listings & Warnings Recommendations as of 4/28/02:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the issuance of warning letters for twenty-eight (28) wine codes, delist notices for thirty-one (31) wine codes and remove from retail eight (8) wine codes which failed to reach gross profit requirements as of April 28, 2002, as recommended by Kathleen Hass, Director of Purchasing and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (John Bunnell thanked the IT Department for their assistance in developing the newly revised gross profit report.)

III. ENFORCEMENT & LICENSING REPORTS : None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all reviewed requests for bailment releases/

NEW HAMPSHIRE STATE LIQUOR COMMISSION
MINUTES OF MEETING – MAY 23, 2002

Page Eight

transfers dated May 10 through May 23, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items:

a. 2002 Summer Season Security Details:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve security detail for Stores #66, #67, #76 and #56 for the 2002 Memorial Day weekend and the 2002 Loudon Classic Motorcycle Weekend, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Special Value Canadian and Blended Whiskeys Pricing Review:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a return to regular retail pricing for four special value Canadian and blended whiskeys (Code #1883, Seagram's Seven; Code #2143, Canadian Mist; Code #2114, Black Velvet; and Code #2127, Canadian LTD), effective May 28, 2002, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Additional Special Offers from Martignetti & United Beverages:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional special offers from Martignetti Companies of N.H., based upon depletions of eight (8) wine items, and additional special offers from United Beverages, Inc., based upon depletions of forty-one (41) wine items, to be featured during the American Wine Sale in order to deplete existing store inventory, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Anthony C. Maiola, Commissioner

/D. Hartford

Patricia T. Russell, Commissioner

